

STATE OF MAINE
PUBLIC UTILITIES COMMISSION

ORDER CLOSING DOCKET
AND OPENING PROCEEDING

JULY 16, 1997

MAINE PUBLIC UTILITIES COMMISSION
Proceeding for Unbundling
Northern Utilities, Inc.'s
Rates and Services

DOCKET NO. 97-393

MAINE PUBLIC UTILITIES COMMISSION
Summary Investigation Into Northern
Utilities, Inc.'s Cost of Service
and Other Acts

DOCKET NO. 96-747

WELCH, Chairman; NUGENT and HUNT, Commissioners

Summary of Order

This Order closes our Summary Investigation into Northern Utilities Cost of Service and Other Acts, Docket No. 96-747 and initiates a new proceeding to unbundle rates and services, Docket No. 97-393. In our Order dated August 9, 1996 in Docket Nos. 95-480/481, we ordered Northern Utilities, Inc. (Northern) to provide the financial information required under Chapter 120 of the Commission's rules, governing rate filings. In that same Order, we also required Northern Utilities, Inc. to file "Standards of Conduct" that would govern future transactions with the Company's unregulated affiliated businesses. In addition, we ordered the Company to file unbundled rates by December 30, 1997. The reasons for closing the Summary Investigation and the disposition of the balance of the issues therein is provided below.

Background

On December 9, 1996, Northern filed the Chapter 120 information and the Standards of Conduct requested in our August 9, 1996 Order in Docket Nos. 95-480/481. The Commission set a deadline of March 10, 1997 for interested parties to file comments on what further proceedings should be conducted in connection with the information.

On March 7, 1997, Northern filed a letter requesting approval of its Standards of Conduct, and authority to file its proposal for unbundled rates and services on April 1, 1998, rather than by December 30, 1997. In its letter, Northern explained that a later filing date would have a number of benefits. According to Northern, rates should be seasonally unbundled, and November 1, 1998 winter rates would be more accurate and more easily designed if based on calendar year 1997 actual cost data. An April 1, 1998 filing would allow the Company to use actual, rather than projected, cost data. Second, the Company believes the time it would take to prepare the filing could be used more effectively by working collaboratively to develop the framework for an unbundling filing. Finally, the Company asserted that an April 1, 1998 unbundling filing allows adequate time for regulatory review.

On March 10, 1997, the Public Advocate (OPA) filed its comments. The OPA stated that, "Northern's rate of return is currently within an appropriate range", and that, "a full rate investigation of Northern would probably not be an efficient use of the resources of the Commission or the other likely parties." The OPA believes two further proceedings should be required. The first would examine the issues connected with the unbundling of Northern's services, and the second, simultaneous proceeding would be to examine the possibility of performance based regulation for Northern.

On March 11, 1997, the Commission Staff (Staff) filed its comments. Staff reviewed and analyzed the Company's Chapter 120 filing and concluded it was not over earning. Staff recommended the Commission put Northern's Standards of Conduct out for comment to the parties in this Docket. Staff also recommended initiation of a generic investigation into the development of the natural gas industry in the State. According to the Staff, a proceeding now to develop alternative regulatory structures for Northern would not be timely due to the singular nature¹ of the existing distribution system within the State.

On March 20, 1997, Maritimes and Northeast Pipelines filed a letter urging the Commission to adopt a schedule for unbundling Northern's rates, "which results in Northern's rates being unbundled no later than November 1, 1998."

Discussion

The comments of the non-utility parties have some common elements. First, it appears that all commenters are satisfied that the Company's earnings are at an appropriate level. Second, there appears to be a need for further review of the Company's proposed Standards of Conduct and for a comprehensive procedure to resolve unbundling issues. Finally, all parties support a November 1, 1998 implementation date for unbundled LDC rates.

We believe this Docket has served its primary purposes, which were to determine whether there should be some formal examination into, and adjustment of, Northern Utilities' base rates, and to determine the nature and sequence of further proceedings for Northern.

Northern Utilities has filed its Standards of Conduct as required by our August 9 Order in Docket Nos. 95-480/481. We agree with the Staff that additional comment on the Standards is warranted, but find those comments would be more logically placed and better informed if furnished by participants in the Company's unbundling proceeding.² The OPA requested a separate, but simultaneous, proceeding to investigate performance based ratemaking (PBR) for Northern. We understand that Northern intends to file a performance-based rate structure proposal as a part of its unbundling filing. Consequently, we expect to address the issue of a PBR approach at that time, either with the unbundling proceeding or in a separate proceeding if warranted.

¹ Inadequate levels of interstate pipeline capacity into the State severely constrain supply.

² It may be that such Standards can be dealt with more effectively through the type of collaborative process suggested by the Company.

We hereby close Docket No. 96-747 and initiate a new proceeding, Docket No. 97-393, within which stakeholders may begin working collaboratively towards unbundled rates and services for Northern Utilities. Issues that cannot be resolved through collaboration will be adjudicated following the filing of Northern Utilities unbundling proposal on April 1, 1998. We will issue a more complete notice of this proceeding in the near future.

Accordingly, We

O R D E R

1. That Docket No. 96-747 is hereby closed; and
2. That Docket No. 97-393, Proceeding for Unbundling Northern Utilities, Inc.'s Rates and Service is hereby opened.
(M.R.S.A. § 1303)

Dated at Augusta, Maine this 16th day of July 1997.

BY ORDER OF THE COMMISSION

Dennis L. Keschl
Acting Administrative Director

COMMISSIONERS VOTING FOR:

Welch
Nugent
Hunt